(b) Industrial Finance Corporation of India (IFCI) has reported that as on 31st January 1995, it had appointed 366 nominee directors on the Boards of 866 companies. Industrial Development Bank of India (IDBI) has reported that it has appointed 425 nominee directors on the Boards of 947 companies. Similar information in respect of other financial institutions (FIs) is being collected and will be laid on the Table of the House. However, the time and labour involved in preparation of a list showing the names of companies having nominee directors of FIs may not be commensurate with the results to be achieved.

(c) and (d) FIs have evolved guidelines in respect of nominee directors. These guidelines, inter-alia, deal with appointment/withdrawal of nominee directors, role of nominee directors and reporting by nominee directors. The nominee directors are expected to act in the best interest of the company and also safeguard the interest of the FI concerned.

Guidelines for financial institutions

1116. SHRI GURUDAS DAS GUPTA:
SHRI JALALUDIN ANSARI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the financial institutions have become more alert after the recent financial scam in safeguarding public interest: if so, the steps being taken in this direction;

(b) whether it is also a fact that no guidelines have been issued from the Banking Department to various financial institutions like Industrial Finance Corporation of India (IFCI) on the proper actions to be undertaken by nominee Directors: and

(c) what steps Government propose to rectify this lapse?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) Yes Sir. Reserve Bank of India (RBI) have issued guidelines to financial institutions (FIs) with regard to investment portfolio-transanctions in securities. RBI have also issued guidelines to FIs on prudential norms for income recognition, asset classification and provisioning.

(b) and (c) FIs have evolved guidelines in respect of nominee directors appointed by them on the Boards of assisted companies. These guidelines also take into account instruction issued on the subject by Government from time to time. Industrial Development Bank of India (IDBI) has reported that experience of the FIs with regard to nominee directors has generally been satisfactory.

Proceedings against nominee director of Financial Institutions

1117. SHRI GURUDAS DAS GUPTA:
SHRI N. GIRI PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether Government can initiate penal proceedings against nominee Directors of financial institutions like IFCI if their actions become questionable:

(b) whether Government have taken steps to carefully watch the performance of financial institutions and their nominees who serve on private sector boards of directors;

(c) whether it is a fact that Government have no system to monitor the activities of financial institutions and their nominees; and